

Message Text

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TO SECSTATE WASH DC 7913

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DEPT PASS COMMERCE - FOX (IEPR), SHERWIN (BDC),
NEUMANN (OIFI), STATE - BOEKER (EB), FELDMAN (L),
TREASURY - GRIFFIN

E.O. 11652: N/A

TAGS: EIND, OECD

SUBJECT: MEETING OF WORKING PARTY NO.1 OF THE INDUSTRY
COMMITTEE ON MULTINATIONAL ENTERPRISES,
JUNY 2-5, 1975

REFS: A) DSTI/IND 1/75.16

B) DSTI/IND 1/75.11

C) DSTI/IND 1/75.8

SUMMARY: WORKING PARTY COMPLETED PRINCIPAL BUSINESS
WHICH WAS TO PREPARE DRAFT REPORT OF INDUSTRY COMMITTEE
CONCERNING IMPROVEMENT OF INFORMATION AND IMPROVED
EXCHANGE OF INFORMATION ON ACTIVITIES OF MULTINATIONAL
ENTERPRISES FOR SUBMISSION TO OECD COUNCIL. OTHER
AGENDA ITEMS DEALT WITH BRIEFLY. END SUMMARY.

1. DRAFT REPORT OF INDUSTRY COMMITTEE - TO FACILITATE
PREPARATION OF INDUSTRY COMMITTEE DRAFT REPORT TO OECD
COUNCIL, CHAIRMAN OF WP SET UP DRAFTING GROUP CONSIST-
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ING OF US, UK, GERMANY, CANADA, FRANCE, BELGIUM, JAPAN,

SWEDEN AND AUSTRIA. SECRETARIAT DRAFT (REF A) PROVIDED BASIS FOR DISCUSSION. USUAL ATTEMPTS BY CERTAIN GOVERNMENTS (MAINLY CANADA AND SWEDEN) TO INJECT LANGUAGE WHICH WOULD GIVE DOCUMENT MORE MANDATORY TONE, WERE SUCCESSFULLY RESISTED BY US WITH ASSISTANCE FROM AUSTRIA, GERMANY AND SOMETIMES UK. ON THE WHOLE, WORK OF DRAFTING GROUP PROCEEDED SMOOTHLY AND ACCEPTANCE OF DRAFT REPORT BY FULL WORKING PARTY WAS ALSO ACCOMPLISHED WITHOUT EXTENDED DEBATE.

2. SINCE DRAFT REPORT IS TO GO FROM INDUSTRY COMMITTEE TO OECD COUNSEL US DELEGATE REQUESTED ELABORATION OF PROCEDURE TO BE FOLLOWED IN PROCESSING REPORT THROUGH TO COUNCIL. HE POINTED OUT THAT SINCE INVESTMENT COMMITTEE (IME) IS PRINCIPAL COMMITTEE RESPONSIBLE FOR MNE AND INVESTMENT ISSUES AND SINCE IT IS NOW ENGAGED IN DISCUSSING INFORMATION QUESTION IN CONNECTION WITH CODE, REPORT OF INDUSTRY COMMITTEE WOULD BE IMPORTANT DOCUMENT THAT SHOULD BE PRESENTED TO TIME AS INPUT TO ITS DELIBERATIONS. US DELEGATE SOUGHT ASSURANCE THAT INDUSTRY COMMITTEE REPORT WOULD GO THROUGH IME BEFORE BEING CONSIDERED BY COUNCIL.

3. SECRETARIAT REPRESENTATIVE (MR. HILL) OUTLINED PROCEDURE, INDICATING THAT INDUSTRY COMMITTEE MEMBERS WOULD FIRST HAVE TO APPROVE REPORT ON BEHALF OF THEIR RESPECTIVE GOVERNMENTS AT WHICH TIME IT WOULD BE SUBMITTED THROUGH IME BEFORE GOING TO COUNCIL. THUS MEMBER COUNTRIES WOULD HAVE TWO OPPORTUNITIES TO REACT TO REPORT. MR. HILL EXPLAINED THAT TERMS OF REFERENCE ESTABLISHING IME PROVIDED THAT QUESTIONS CONCERNING INTERNATIONAL INVESTMENT AND MNES MUST BE SUBMITTED TO COUNCIL THROUGH IME. (COMMENT: INFERENCE ONE MIGHT DRAW FROM SECRETARIAT'S EXPLANATION WAS THAT SINCE INDUSTRY COMMITTEE WAS COEQUAL BODY WITH INVESTMENT COMMITTEE IN OECD, IME COULD NOT THEREFORE VETO ACTION TAKEN BY INDUSTRY COMMITTEE).

4. PRESENT PLAN IS TO FORWARD DRAFT REPORT UNDER OECD WRITTEN PROCEDURE TO INDUSTRY COMMITTEE
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MEMBERS BY MID-JULY WITH REQUEST THAT THEY APPROVE REPORT OR SIGNIFY OBJECTIONS BY MID-AUGUST. IF APPROVED, IT WOULD GO TO IME; IF NOT, INDUSTRY COMMITTEE WOULD HAVE TO DECIDE AT ITS FIRST MEETING THIS FALL WHAT ACTION TO TAKE.

5. REPORT CONSISTS OF 1) AN INTRODUCTORY SECTION WHICH SETS OUT TERMS OF REFERENCE AND HOW THEY WERE CARRIED

OUT, 2) PROPOSED STATISTICAL FRAMEWORK WHICH WOULD HAVE
ATTACHED TO IT AN ANNEX (REF B) CONTAINING AGREED 14
DATA ITEMS AND WORKING DEFINITIONS, AND 3) DRAFT
DECISION OF OECD COUNCIL WHICH IS OPERATIVE PART OF
REPORT AND WHICH RECOMMENDS THAT MEMBER COUNTRIES

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"ENDEAVOR" TO SET UP HARMONIZED STATISTICAL SYSTEM FOR
MEMBERS ALONG LINES LAID OUT IN REPORT AND IN ATTACHED
ANNEX (REF.B). VERBATIM TEXT OF DRAFT DECISION BY OECD
COUNCIL IS AS FOLLOWS:

RECOMMENDS THAT GOVERNMENTS OF MEMBER COUNTRIES
SHOULD ENDEAVOUR TO:

A) DEVELOP NATIONAL STATISTICS WHICH SHOULD INCLUDE
THE 14 ITEMS SET OUT IN PARAGRAPH 9 OF IND(75)(NUMBER TO
BE ASSIGNED) (THIS DESCRIBES PROPOSED STATISTICAL
FRAMEWORK);

B) ADOPT THE SUBDIVISION OF ENTERPRISE GROUP AND
ENTERPRISES ACCORDING TO THE DEGREE OF FOREIGN PARTICI-
PATION SET OUT IN PARAGRAPH 10 OF THIS REPORT;

C) APPLY THE INTERNATIONALLY AGREED AND WORKING

DEFINITIONS FOR THE 14 ITEMS CONTAINED IN THE ANNEX TO THIS REPORT ON THE UNDERSTANDING THAT COUNTRIES WHICH ALREADY HAVE STATISTICS RELATING TO THE ACTIVITIES OF MULTINATIONAL ENTERPRISES BASED ON OTHER DEFINITIONS WOULD INDICATE ANY SUBSTANTIAL DEVIATIONS UNTIL SUCH TIME AS THEY COULD, WHEREVER PRACTICABLE, APPLY THESE DEFINITIONS.

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6. OTHER AGENDA ITEMS - THESE INCLUDED: A) REPORT BY UK DELEGATION ON AVAILABLE INFORMATION NOW PROVIDED BY UK COMPANIES; B) MEASURES TAKEN BY MNES AS A RESULT OF PRESENT ECONOMIC SITUATION; C) OECD DISCUSSIONS WITH BIAC AND TUAC ON INFORMATION QUESTIONS; AND D) REPORTS BY A NUMBER OF MEMBER COUNTRIES ON PENETRATION AND CONCENTRATION OF MNES IN INDUSTRIAL SECTORS.

A) UK REPORT ON MNES - POINT OF THIS REPORT (REF C) WAS TO INDICATE THAT IN UK A GOOD DEAL OF DATA IS AVAILABLE IN COMPANY REPORTS MUCH OF WHICH IS PUBLISHED. IMPLICATION IS THAT SIMILAR SITUATION PROBABLY PREVAILS ELSEWHERE AND THUS MUCH DATA ALREADY EXISTS ON MNE ACTIVITIES WHICH COULD EASILY BE MADE AVAILABLE. NO INDICATION OF ANY POSSIBLE PROBLEMS RAISED BY CONFIDENTIALITY OF DATA. (COMMENT: UK REPORT REPRODUCED A TABLE FROM AUGUST 1974 US-BIAC SURVEY, AUGUST 1974, P. 11, WHICH SHOWED THAT FOR 16 DATA ITEMS US NOW PUBLISHED DATA ON 15 WHICH IS MORE THAN 17 OTHER OECD COUNTRIES. AUSTRIA, GERMANY AND UK IN PARTICULAR CHALLENGED ACCURACY OF SURVEY FOR THEIR COUNTRIES THUS CASTING DOUBT ON VALIDITY OF ENTIRE SURVEY. WASHINGTON MIGHT WISH TO BRING THIS TO ATTENTION OF US-BIAC).

B) EFFECT OF ECONOMIC SITUATION ON MNES - BRIEF REPORTS BY A NUMBER OF COUNTRIES SHOWED THAT MNES DID NOT REACT DIFFERENTLY THAN DOMESTIC FIRMS. THIS HARDLY STARTLING REVELATION ACCEPTED WITHOUT REACTION BY ASSEMBLED DELEGATIONS. US DELEGATE POINTED OUT THAT US RECESSION APPEARED TO HAVE CAUSED NO PERCEPTIBLE CHANGES ON LONG-TERM INVESTMENT PLANS BY FOREIGN-BASED MNES THUS ATTESTING TO CONFIDENCE OF FOREIGN INVESTORS IN LONG-TERM GROWTH POTENTIAL IN US. AS EXAMPLES, US DELEGATE MENTIONED TWO CASES, BASF (GERMANY) WHERE \$200 MILLION INVESTMENT GOING FORWARD DESPITE RECESSION AND ANNOUNCEMENT BY SONY (JAPAN) OF PLANS TO ESTABLISH SEVERAL FACILITIES IN US.

C) OECD DISCUSSIONS WITH BIAC - SECRETARIAT REPORTED THAT IT WAS VISITED BY THREE BIAC REPRESENTATIVES TO LEARN MORE ABOUT WHAT OECD IS DOING IN INFORMATION

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AREA. BIAC REPRESENTATIVE EXPRESSED DESIRE TO DISCUSS QUESTION WITH WORKING PARTY. REPORTED ABRAMOWSKI APPEARED TO FAVOR IDEA. IF FUNDING AVAILABLE SECRETARIAT MAY CONSIDER HOLDING SMALL SEMINAR THIS FALL WITH ACADEMICS, BIAC AND TUAC REPRESENTATIVES.

D) PENETRATION AND CONCENTRATION OF MNES IN INDUSTRIAL COUNTRIES - A NUMBER OF DELEGATIONS PRESENTED SHORT REPORTS INDICATING EXTENT TO WHICH MNES CONTROL PARTICULAR SECTORS AND INDUSTRIES. CONCLUSION ONE COULD DRAW WAS THAT MNES IN A NUMBER OF SECTORS AND COUNTRIES HAVE HAD SUBSTANTIAL IMPACT ON INDUSTRIAL STRUCTURES.

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7. COMMENT: WP HAS PRODUCED A REPORT WHICH CAN SERVE AS FIRST STEP AS WELL AS A TECHNICAL BASIS FOR THE DEVELOPMENT OF A HARMONIZED SYSTEM OF STATISTICS FOR MNE'S DESPITE THE FACT THAT FEW IF ANY OECD MEMBERS WILL BE ABLE TO IMPLEMENT IT IN PRACTICE. THE REPORT, HOWEVER, CONCERNS ONLY THE ACTIONS OF GOVERNMENTS, AND NOT THE MORE SENSITIVE QUESTIONS OF CONFIDENTIALITY AND PUBLICATION OF COMPANY DATA, NOW UNDER DISCUSSION IN IME. NEVERTHELESS, A NUMBER OF COUNTRIES, PARTICULARLY THE SCANDINAVIANS, WHO DO NOT HAVE SUCH A SYSTEM NOW, REGARD THE REPORT (AND WP WORK) AS OF GREAT VALUE TO THEM; CERTAIN OTHER COUNTRIES (CANADA, AUSTRALIA, SWEDEN AND UK) CONSIDER THE REPORT AS AN IMPORTANT STEP IN MOVING MNE'S TOWARD GREATER TRANSPARENCY OF OPERATIONS. THE REPORT CAN BE EXPECTED TO BECOME A SIGNIFICANT INPUT IN THE CONSIDERATION OF INFORMATION ISSUES IN IME. IN THIS CONNECTION, POSITIVE US ATTITUDE TOWARD REPORT IS IMPORTANT, BASED ON OFF-THE-RECORD REMARK BY WP CHAIRMAN IN WHICH HE HOPED THAT AFFIRMATIVE U.S. ACTION WOULD BE FORTHCOMING IN THE INDUSTRY COMMITTEE.

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